BUSINESS

Beyond Turmeric: How import co impacting Sri Lanka's economy

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Raw turmeric roots on the shelves of roadside vendors is a frequent sight nowaday the import controls, turmeric now fetches a higher price domestically; prices havi as much as 275% from Rs. 80 per kilo to Rs. 300 per kilo. The turmeric shortage, re adulterated turmeric powder, the ceiling price, black-market sales, and sensationa busting smuggling attempts are the manifestations of the impact of import contro

The recent waves of import restrictions imposed by the Sri Lankan government ha justifications such as boosting domestic production and avoiding re-exporting sul products and foreign exchange leakage. However, protectionism has costs. The sig costs are: 1) possibility of tariff retaliation by the trading partners; 2) impact on d manufacturing for exporting; and 3) resource misallocation.

These costs will have a severe impact on the recovery of the COVID-19 affected ec this article, the costs of protectionist trade policies and opportunities available fo post-COVID economic recovery are discussed.

The economic literature documents the political and economic cost of the China-l thoroughly. China's targeted agricultural tariffs, which were in retaliation to Trun unilateral tariffs, cost the Republican party the 2018 House election. From a merc of view, countries like to export but are reluctant to import. But trade is no longer street. The EU, in a statement on Sri Lanka's new import controls, points out that import ban is not in line with World Trade Organization regulations."

Returning to the turmeric story, Sri Lanka's primary turmeric import source was I 97% (USD7 million) of Sri Lanka's turmeric imports came from India. Media repor Indian farmers and merchants have raised concerns over Sri Lanka's turmeric ban. concerns have no immediate damage on the country's exports, Sri Lanka should st cautious to avoid the Trump administration's blunder of getting into a series of ta with crucial trade partners.

Nowadays, the vertically linked manufacturing process through global value chair the norm. Manufacturing in Sri Lanka is no exception. Around 49% of Sri Lanka's intermediate goods, and 14% are capital goods (Figure 1). Import controls disrupt supply and may harm the export performance of industries that use foreign raw m significant China-US trade war harm was on the US manufacturing sector. Compa Lanka's import controls in April 2020 seriously hurt the sectors which used impor materials. It is, however, commendable that the government relaxed some of the i controls in June to ensure an uninterrupted supply of raw materials.